

# CLIENT INFORMATION ON FORTIS BANK EXECUTION POLICY - ITALY



In this document we use “we” or “us” or “Fortis” to refer to Fortis Bank SA/NV business conducted, totally or partially, through Fortis Bank SA/NV, Italian Branch and we refer to clients as “you”.

The Fortis Group is a universal banking group offering a range of investment services including portfolio management, execution services or transmission of orders to third parties or Fortis Group companies for execution.

Best execution applies if you have been categorised as a Retail or Professional Client, but not if you have been categorised as an Eligible Counterparty. Your categorisation has been communicated to you.

## 1. Terms of execution services

This document gives you information on our Fortis execution policy and procedures in accordance with the Markets in Financial Instruments Directive (“MiFID”), a European-wide measure, and local regulations in your country which implement this, namely, the Legislative Decree no. 58 of 24 February 1998 as subsequently amended and the implementing regulations.

It relates to all services we may provide to you, including portfolio management, execution and order transmission services. In order for us to provide services to you, you will need to agree to this information document by signing it and return a copy to us prior to 1 November 2007.

In accordance with MiFID and our Investment Services General Conditions any order placed with us or executed by or through us on or after 1 November will show acceptance of this policy by you.

## 2. Application

Under MiFID, best execution obligations apply in relation to the instruments described in Appendix 1 which we either buy and sell on your behalf as part of our portfolio management service, or you buy and sell with or through us as part of either execution or order transmission services.

Best execution obligations do not apply in the circumstances set out in paragraph 5 (for example where we provide you with a quote and act on a “request for quote” basis). You should read carefully paragraph 5.1 on how we treat your order when you give us specific instructions.

We must obtain the best possible result on a consistent basis where we are executing your order or we are receiving and transmitting your order to an external broker dealer to execute (“**best execution**”).

Where best execution does apply, MiFID sets out two separate obligations depending upon how your orders are actually executed. Where:

- we buy or sell financial instruments for you, the execution obligation in paragraph 3 below is applicable; or
- where we receive and transmit your order to an external broker dealer, which itself executes your order, the receipt and transmission obligation in paragraph 4 below is applicable.

Whilst providing you with the same service, we may sometimes owe you the execution obligation, and sometimes the order transmitter obligation, as set out below at the beginning of each paragraph. Where we are providing you with portfolio management services, your order may sometimes be executed by us (see paragraph 3 below) and sometimes placed with a third party broker for execution (see paragraph 4 below).

## 3. The execution obligation

### 3.1 Achieving best execution

We must take all reasonable steps to obtain the best possible result taking into account the factors set out in 3.2 where we are executing an order for you.

Orders will be executed on venues on the basis of the factors and criteria set out in 3.2 and 3.3.

In Merchant and Commercial Banking we execute orders in fixed income and derivatives instruments and we will offer you best execution for orders in those instruments, except where:

- you give us a specific instruction as to how we should execute your order or an aspect of your order; or
- there is only one possible place where your order can be executed; or
- we are acting as your counterparty on a request for quote basis and you are a Professional Client; or
- it is a highly structured transaction; or
- we are required to unwind a position for you.

See paragraph 5 for more information.

### 3.2 The factors for venue selection

In achieving best execution, we will, as relevant and appropriate, take into account a number of factors in choosing the venue, including:

- the price available and the depth of liquidity available at that price;
- transaction costs (i.e. the fees charged for executing an order on a particular venue, clearing and settlement) which are passed on to you whether directly or indirectly;

- speed of execution on the market;
- likelihood of execution and settlement (e.g. market liquidity for the particular product);
- the ability of the venue to manage complex orders;
- clearing and settlement arrangements; and
- any other consideration relevant to the execution of the order.

We will take into account the criteria in paragraph 3.3 for determining the relative importance of these factors. The relative importance of these factors varies depending on the relevant circumstances, including the type of financial instruments in question.

If you are a Retail Client, price and costs will determine best execution, although the other factors above may take priority where instrumental in achieving that best price and costs. If you are a Professional Client, price and costs will usually be the most important factors although we will, as appropriate, take into account the other factors in the context of the relevant circumstances including whether there is room for price improvement.

Where there is only one possible venue where the transaction can be executed, best execution is achieved by execution on that venue.

Best execution is a process not an outcome. This means that, when we are executing an order for you, we must execute it in accordance with our execution policy but we do not guarantee that the best possible price will be obtained in all circumstances and, in any event, the factors may lead to a different result in a particular transaction.

In certain circumstances this obligation will not apply, for example at a time of severe market turbulence, and/or internal or external system failure where instead the ability to execute orders on a timely basis, or at all, will become the primary factor. In the event of system failure we may not be able to access all of our chosen execution venues.

### 3.3 Execution criteria

As indicated in paragraph 3.2, we will take into account certain criteria to determine the relative importance of the factors for venue selection in 3.2 (where there is more than one venue). The execution criteria that will be taken into account are:

- your characteristics as a client, including:
  - whether you are a Retail or Professional Client; and
  - your credit risk.
- the characteristics of the order, for example:
  - Buy/sell;
  - limit and duration;
  - on exchange/off exchange transactions;
  - stop loss;
  - market or limit order; and
  - size of the order and likely impact of the order.
- the characteristics of the financial instrument the order relates to, for example:
  - equities/fixed income securities, derivatives/convertibles;
  - liquid/illiquid;
  - structured/customised/exotics, etc;
- the characteristics of the venues (see 3.2 above); and
- any other circumstances relevant at the time.

### 3.4 Execution venues

Execution venues are a regulated market, multilateral trading facility (MTF,

which operates like an exchange), a firm itself acting as a market maker or dealing for its own account, a systematic internaliser, or other liquidity providers either within or outside the EEA. Any such firm may include a Fortis Group company.

The venues on which we place significant reliance, i.e. the venues on which transactions will typically be executed, are as follows:

- Fixed income instruments: a Fortis Group company as counterparty.
- Derivatives:
  - Derivatives tradable on a regulated market:
    - (i) on the regulated market or multilateral trading facilities; or
    - (ii) with a Fortis group company as counterparty (against its own book).
  - Derivatives not tradable on a regulated market: with a Fortis Group company as counterparty (against its own book).

A list of the main trading venues by class of instruments is included in Appendix 2.

## 4. The receipt and transmission obligation

We may transmit an order we receive from you or execute for your portfolio to a third party broker for execution. For example we will transmit to third party brokers:

- orders in instruments traded or listed outside the European Economic Area (which is the EU Member States, Liechtenstein, Norway and Iceland);
- all orders in products that are not fixed income instruments or derivatives;
- some orders in fixed income instruments and derivatives (where they are not executed directly by us in accordance with section 3 above).

Where we do so we will act in your best interests when placing orders with or transmitting orders to external broker-dealers for execution. We will take all reasonable steps to obtain the best possible result. In doing so, we will take into account the factors and criteria set out in paragraphs 3.2 and 3.3 above. As a result, we will achieve best execution by placing orders with, or transmitting orders for execution to, other entities which can meet the MiFID best execution obligation:

- We will select an entity or entities most likely to deliver the best possible result for our clients.
- Where the entity selected is itself a MiFID firm subject to the best execution obligation, we will place a high degree of reliance on that entity. We will ensure that the entity's execution policy is consistent with our own as specified in this document.
- Where the entity selected is not a MiFID firm subject to the best execution obligation, we have in place formal arrangements with the entity to seek MiFID best execution standards.
- We will monitor and review the execution quality delivered and correct any deficiencies.

Where we specify a venue to a third party broker when transmitting your order or the portfolio order, or where we give a specific instruction to an executing broker as to how to execute a financial instrument on your behalf, we will have the execution obligations set out in 3 above.

## 5. Occasions when best execution obligations are automatically satisfied or do not apply

### 5.1 Specific instructions

Where we have accepted specific instructions from you we will follow them, and therefore will not be obliged to provide best execution to the extent of the

specific instructions. For example, you may tell us that you want us to execute the trade in XYZ securities on a specific venue or market or at a specific price (whether or not a limit order). We will have no further responsibility for selecting the venue of execution or price, as the case may be, but will retain any discretion over other aspects of the execution, such as timing.

You should be aware that any such specific instruction may, by its very nature, prevent us from taking the steps set out in this execution policy summary to obtain the best possible result for the execution of orders.

## 5.2 Single venue transactions

The nature of the transaction may result in there being only one place where it possibly could be executed and, therefore, the only pricing consideration will be time of execution. It therefore, precludes the use of comparable prices. An example is a share which is listed or traded on only one regulated market.

## 5.3 Highly structured transactions

The best execution rule does not, in effect, apply in relation to highly structured off-exchange (OTC) transactions where, due to the unique contractual structure entered into between you and us, it is not possible to provide any comparisons with other transactions or instruments. MiFID recognises that different considerations apply where the transaction involves a customised OTC financial instrument tailored to your circumstances.

There is nothing against which to compare the transaction. This applies if it is (1) an OTC transaction, which is (2) highly structured/customised to you and, therefore, (3) is not one of a series of similar deals to which we are a counterparty, and (4) there is nothing comparable in the market.

If we sell to you a financial instrument that we have created or for which we are the only execution venue, we will, on request, explain to you how the price was constructed, including any relevant external references.

## 5.4 Dealing on an “RFQ” basis with Professional Clients

MiFID applies the best execution obligations where we act on your behalf to buy or sell, and not where we quote a price to you on request where you are a Professional Client. This is called dealing on a “Request for Quote” or “RFQ” basis. The distinction is between:

- where you are relying on us to get you the best price, i.e. for us to act on your behalf in protecting your interests, and
- where you merely request a price from us, or take a price from us, making your own decision as to whether it is the best price.

If we negotiate the terms of an OTC product directly with you, then we will not be treated as acting on your behalf, and an instruction from you to execute the transaction will not be regarded as an order subject to best execution.

## 5.5 Unwinding a position for you

Where we are required to unwind a position for you (for example, where you are in default under your contractual terms with us or otherwise) it is not an order subject to best execution.

## 5.6 Direct market access

Where you have direct market access through an electronic interface provided by us, and in each case it links only to a certain (single) regulated market or even more than one regulated market, then you have taken your

own responsibility for achieving best execution and the timing and price and other aspects of execution are not part of the service that we provide to you. We regard this as a particular example of Specific Instructions in paragraph 5.1 above.

## 6 Monitoring best execution

We will review this summary policy and our procedures annually and where there is a material change in execution arrangements to see whether best results are achieved for all clients as a whole on a consistent basis.

## 7 Other execution matters

### 7.1 Carrying out client orders

When carrying out client orders for Professional Clients (but not for Eligible Counterparties) otherwise comparable client orders communicated to us in the same form will be carried out sequentially and all client orders handled in a timely fashion unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the client require otherwise.

### 7.2 Aggregation and allocation

When you agree to the execution policy, you are permitting us where applicable to aggregate orders with those of other clients or its own orders to be worked on or executed at the same time. It will only do this where it is unlikely that aggregation and/ or allocation will work overall to the disadvantage of any client whose order is to be aggregated. However it is possible that the effect of aggregation may work to your disadvantage in relation to a particular order.

If we have aggregated your order with our own, but have not achieved execution of the total aggregate amount, then your order will be allocated in preference to our own (unless you would not have achieved such favourable execution without its participation).

### 7.3 Limit orders

Client limit orders in respect of shares admitted to trading on a regulated market in the European Economic Area which are not immediately executed under prevailing market conditions will be published by means of placing the order on the relevant trading venue, provided that the trading venue accepts the order.

### 7.4 Transactions executed outside a regulated market or MTF

Where we execute orders for you, we will normally do so on a regulated market unless we are unable to do so due to the nature of the instrument you wish to trade (for example: a product that is only available OTC). In almost all cases we will transmit your order to a third party broker for execution.

However, where you have given your express consent our Execution Policy provides that, in some instances, orders relating to financial instruments may be executed by us outside a regulated market or multilateral trading facility.

## 8 Amendment

This execution policy may be amended by us from time to time and material changes will be made available on our website [www.fortis.com](http://www.fortis.com) or at Fortis Bank's branch in Italy.

## APPENDIX 1

### List of Financial instruments

#### 1 Financial instruments

Best Execution only applies to the following financial instruments:

- Transferable securities, i.e.:
  - (a) Shares in companies.
  - (b) Bonds.
  - (c) Depositary receipts in respect of shares, bonds, etc.
  - (d) Warrants to subscribe shares or bonds.
  - (e) Securities giving the right to acquire or sell transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures.
- Money-market instruments.
- Units in collective investment undertakings.
- Derivatives relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures.
- Cash settled derivatives relating to commodities.
- Derivatives relating to commodities that can be physically settled provided that they are traded on a regulated market or a Multilateral Trading Facility (MTF).
- Credit derivatives.
- Financial contracts for differences.
- Derivatives over climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics or other assets, rights, obligations, indices and measures.

As a result, best execution does not apply to the following:

- FX cash and spot forwards (with settlement in 2 days or less).
- Spot purchase/sale of gold or commodities.
- Loans and deposits.
- Commodity derivatives that can only be physically settled and are not traded on a regulated market or MTF and certain types of other derivatives which are for commercial purposes and which do not comply with particular criteria e.g. derivatives on emission allowances not traded on a regulated market nor cleared through a central clearing house and for which there are no regular margin calls.
- Exercise and assignment of options.

## APPENDIX 2

### List of principal venues for Italy

The venue will depend on the relevant product. The principal venues on which we place reliance are the following:

- Listed Fixed Income Securities - Euronext Amsterdam, Euronext Brussels, Eurex, Liffe, CBOT, Luxembourg Stock Exchange or Fortis Bank SA/NV acting as counterparty (against its own book);
- Listed Derivatives - Euronext Liffe London, Euronext Liffe Amsterdam, Euronext Liffe Brussels, Eurex, CBOT, CBOE or Fortis Bank acting as counterparty (against its own book);
- Listed Commodity Derivatives - London Metal Exchange or Fortis Bank SA/NV acting as counterparty (against its own book);
- Over the Counter (OTC) Instruments - Fortis Bank SA/NV acting as counterparty (against its own book);